

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

DEARBORN HOUSING COMMISSION

Financial Statements

September 30, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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***John C. DiPiero, P.C.***

Certified Public Accountant

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Board of Commissioners  
Dearborn Housing Commission  
13615 Michigan  
Dearborn, Michigan 48126

### **Independent Auditor's Report**

I have audited the Business Type Activities of the Dearborn Housing Commission as of and for the year ended September 30, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dearborn Housing Commission as of September 30, 2005, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principals.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 6, 2006 on my consideration of the Dearborn Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

### **Required Supplemental Information**

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

#### **Combining Financial Statements**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

June 6, 2006

DEARBORN HOUSING COMMISSION  
Statement of Net Assets  
September 30, 2005

**ASSETS**

**C-3042**

CURRENT ASSETS

Cash	\$	895,631	
Accounts Receivable- Tenants (net of allowance of \$ 239)		109	
Accounts Receivable- HUD		47,720	
Accounts Receivable- Other		20,496	
Prepaid Expenses		9,611	
Inventory- (net of allowance of \$ 459)		<u>8,720</u>	
Total Current Assets	\$		982,287

NON CURRENT ASSETS

Land	\$	218,000	
Buildings		6,554,020	
Furniture, Equipment- Dwelling		254,056	
Furniture, Equipment- Administrative		76,534	
Leasehold Improvements		5,947,769	
Accumulated Depreciation		<u>(8,863,351)</u>	
Total Non Current Assets			<u>4,187,028</u>

TOTAL ASSETS

\$ 5,169,315

DEARBORN HOUSING COMMISSION  
Statement of Net Assets  
September 30, 2005

LIABILITIES & NET ASSETS

C-3042

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$ 105,077
Accrued Wages & Payroll Taxes	133,840
Tenants Security Deposit	60,342
Accounts Payable- HUD	44,237
Deferred Revenue	<u>6,415</u>

<u>Total Current Liabilities</u>	\$ 349,911
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NET ASSETS:

Invested in Capital Assets, net of Related Debt	\$ 4,187,028
Unrestricted Net Assets	<u>632,376</u>

<u>Total Net Assets</u>	<u>4,819,404</u>
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<u>TOTAL LIABILITIES &amp; NET ASSETS</u>	<u>\$ 5,169,315</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements

DEARBORN HOUSING COMMISSION  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended September 30, 2005

OPERATING REVENUE

Tenant Rental Revenue	\$	745,098	
Tenant Revenue-Other		51,054	
HUD Grants		2,585,301	
Interest Income		24,417	
Other Income		<u>4,599</u>	
<u>Total Operating Revenue</u>	\$		3,410,469

OPERATING EXPENSES

Administrative	\$	399,060	
Tenant Services		51,599	
Utility Expenses		414,804	
Ordinary Maintenance		649,524	
General Expenses		<u>61,884</u>	
<u>Total Operating Expenses</u>			<u>1,576,871</u>
<u>Operating Income (Loss)</u>	\$		1,833,598

NONOPERATING REVENUE (EXPENSES)

Housing Assistance Payments	\$	(2,033,199)	
Extraordinary Maintenance		(34,465)	
Fraud Loss		(356)	
Depreciation Expenses		<u>(493,722)</u>	
<u>Total NonOperating Revenue (Expenses)</u>			<u>(2,561,742)</u>
<u>Income (Loss) before Contributions</u>	\$		(728,144)

CAPITAL CONTRIBUTIONS

			<u>354,965</u>
<u>Changes in Net Assets</u>	\$		(373,179)
Total Net Assets- Beginning	\$	5,097,929	
Correction of prior year equity transfer		<u>94,654</u>	<u>5,192,583</u>
 Total Net Assets- Ending	\$		 <u>4,819,404</u>

The Accompanying Notes are an Integral part of the Financial Statements

DEARBORN HOUSING COMMISSION  
Combined Statement of Cash Flows  
For the Year Ended September 30, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 796,152
Payments to Suppliers	(2,938,467)
Payments to Employees	(429,988)
HUD Grants	2,940,266
Other Receipts (Payments)	<u>29,016</u>
Net Cash Provided (Used) by Operating Activities	\$ 396,979

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	<u>(461,597)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (64,618)
Balance- Beginning of Year	<u>960,249</u>
Balance- End of Year	\$ <u>895,631</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (373,179)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	493,722
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(25,389)
Prepaid Expenses	869
Changes in Liabilities Increase (Decrease):	
Accounts Payable	49,958
Accrued Liabilities	224,904
Account Payable- HUD	18,378
Deferred Revenue	(2,247)
Security Deposits	<u>9,963</u>
Net Cash Provided by Operating Activities	\$ <u>396,979</u>

The Accompanying Notes are an Integral part of the Financial Statements

DEARBORN HOUSING COMMISSION  
Notes to Financial Statements  
September 30, 2005

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Dearborn Housing Commission, Dearborn, Michigan, (Commission) was created by ordinance of the city of Dearborn. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 3-1,2,3	Low rent program	333 units
MI 28E001-003	Section 8 Certificates	96 units
MI 280014-004	Section 8 Administrative	152 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with Governmental Accounting Standards Board, (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Petty Cash	\$ 200
Checking Accounts	<u>111,431</u>
	\$ 111,631
Investments reclassified as Cash Equivalents	<u>784,000</u>
Financial Statement Total	<u>\$ 895,631</u>

Investments:

Certificates of Deposit	\$ 784,000
Reclassified as cash equivalents	<u>(784,000)</u>
Financial Statement Total	<u>\$ 0</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Cash:					
Checking A/C's	\$ 111,431	\$	\$	\$ 111,431	\$ 111,431
C/D's	784,000			784,000	784,000
Petty Cash	<u>200</u>			<u>200</u>	<u>200</u>
Total Cash	\$ <u>895,631</u>	\$	\$	\$ <u>895,631</u>	\$ <u>895,631</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Note 4: Prepaid Expenses

Prepaid expenses consists of the following:

Prepaid Insurance	\$ 9,611
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Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Land	\$ 218,000	\$	\$	\$ 218,000
Buildings	6,554,020			6,554,020
Furniture & Equipment-Dwellings	254,084		28	254,056
Furniture & Equipment-Administrative	71,339	5,195		76,534
Leasehold Improvements	<u>5,597,999</u>	<u>456,402</u>	<u>106,632</u>	<u>5,947,769</u>
	\$12,695,442	\$ 461,597	\$ 106,660	\$13,050,379
Less Accumulated Depreciation	<u>8,476,289</u>	<u>493,722</u>	<u>106,660</u>	<u>8,863,351</u>
	\$ <u>4,219,153</u>	\$ (32,125)	\$	\$ <u>4,187,028</u>

Notes to Financial Statements- continued

Note 5: Pension Disclosures

The Commission employees are city employees, (see General Comment). The employees pension plan statistical information is included in the City of Dearborn annual report; Housing Commission employee statistical data is unavailable.

The pensions offered consist of the following:

Effective July 1, 2002, or when implemented

**A) FEATURES OF DEFINED CONTRIBUTION PLAN**

- 1) Employee must contribute 2% of pay, and City must contribute 4% of pay.
- 2) For each additional 1% of pay (up to a total of 5%) City will contribute 1.33 % of pay.
- 3) Employee contributes above 5 % of pay will not be matched by City. Maximum City contribution is 8 % of pay.
- 4) Vesting after 5 years. Includes employee service prior to conversion date.

**B) PARTICIPATION**

- 1) All unit employees hired on and after July 1, 2002 must only participate in the City's Defined Contribution Plan ("DC Plan"), regardless of any future promotion to a non-unit position.
- 2) All unit employees hired on and before July 1, 2002, have, initially, three (3) options:
  - a) Stay in chapter 22 (the "DB Plan")
  - b) Freeze BD Plan benefit and go forward only in DC Plan
  - c) Withdraw balance from BD Plan, put it in DC Plan, and go forward only in DC Plan
- 3) All unit employees hired on and before July 1, 2002, have a second opportunity to join DC Plan when they are capped at 30 years under DB Plan.

**C: OTHER**

- 1) Conversion periods:
  - a) To be determined
  - b) After 30year cap, six (6) months after cap becomes effective
- 2) Other terms and conditions as provided in plan description and documents, as and when finalized.

Notes to Financial Statements, continued

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 56,905,417
General Liability	1,000,000
Dishonesty Bond	50,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 7: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 8: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

DEARBORN HOUSING COMMISSION  
General Comment  
September 30, 2005

The Dearborn Housing Commission (Commission) employees are City of Dearborn employees. The Commission reimburses the City of Dearborn for all wages, payroll taxes and benefits such as health insurance and pension cost for current employees; the Commission also prepays employees retirement health benefits as a percentage of the current pay. Once an employee retires, no further funding is charged.

This is a complicated issue which deserves some discussion. A question was raised by HUD at another Commission with similar treatment concerning the use of public housing funds to reimburse the City of Dearborn for pension and health insurance liabilities for retired City employees who were assigned to work for the Commission. HUD stated in a communication "these expenditures are inappropriate for the PHA to make because they are obligations incurred by the City of Dearborn, as agreed to in the collective bargaining agreement. They are not legitimate expenses of the PHA's."

The above position appears to be very definitive, but it is problematic; not only does this prohibition address the current year, it would also indicate those cost are ineligible in prior years. HUD's communication briefly touched upon the possibility of a court decision which may impact its position. The communication also failed to address the treatment of the amounts spent in the current year as well as past years.

In my opinion, this is equivalent to a legal fiction. The substance of the matter is whether these employees worked for the City, or for the Commission. In fact, they served the interest of the Commission; the Commission had direct supervision of the employees, the employees reported for work to the Commission, and the Commission's management had the right to terminate said employees. It seems too convenient for HUD to allege further obligations are not the responsibility of the Commission. In other areas, such as the Davis Bacon Act, HUD mandates that prevailing (local) wages and benefits be afforded contractor's employees, but when the prevailing (local) benefits call for post retirement benefits for Commission employees, HUD chooses to abandon those obligations.

This issue supersedes the current reporting period; post retirement benefits have been paid for retired Commission (City) employees for the past several years. In the years when HUD required the submission and approval of annual budgets, post retirement cost were included as a line item and approved by HUD. Office of Management and Budget (OMB) cost principle circulars A-87, A-110, and A-133 all address allowable cost issues; certain cost are unallowable unless specifically approved by the funding source; since budgets have been approved in the past including such cost, it would appear these are allowable cost.

Finally, a precedence has been set both in practice and in law. As stated above, Federal laws such as the Davis Bacon Act requires the recognition of prevailing wages and benefits in construction contracts, and, previously approved budgets specific allow the inclusion of post retirement benefits as an allowable cost. In addition, to disallow these cost currently or prospectively without addressing the prior periods would be inconsistent; such treatment could constitute a change in accounting principle which may require a qualified report.

The current financial statement presentation includes the post retirement benefits as it has in all prior years; no accrual has been made for any possible account receivable for the current or prior periods.

This comment is designed to inform the reader of the pending situation and the current treatment in the financial statements of post retirement cost. The ultimate resolution and treatment of the current and past cost is unknown at this time.

## Dearborn Housing Commission

30-Sep-05

MI003

Combining Balance Sheet		Low Rent 14.850	Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	N/C Section 8 Program	TOTAL
Line Item #						
	<b>ASSETS:</b>					
	<b>CURRENT ASSETS:</b>					
	Cash:					
111	Cash - unrestricted	784,480	20,796	-	90,355	895,631
112	Cash - restricted - modernization and development	-				-
113	Cash - other restricted					-
114	Cash - tenant security deposits					-
100	Total cash	784,480	20,796	-	90,355	895,631
	Accounts and notes receivables:					
121	Accounts receivable - PHA projects					-
122	Accounts receivable - HUD other projects	-		47,720		47,720
124	Accounts receivable - other government					-
125	Accounts receivable - miscellaneous	-				-
126	Accounts receivable- tenants - dwelling rents	348				348
126.1	Allowance for doubtful accounts - dwelling rents	(239)				(239)
126.2	Allowance for doubtful accounts - other	-				-
127	Notes and mortgages receivable- current					-
128	Fraud recovery		19,507			19,507
128.1	Allowance for doubtful accounts - fraud		(356)			(356)
129	Accrued interest receivable	1,345				1,345
120	Total receivables, net of allowances for doubtful accounts	1,454	19,151	47,720	-	68,325
	Current investments					-
131	Investments - unrestricted	-				-
132	Investments - restricted					-
142	Prepaid expenses and other assets	9,611	-			9,611
143	Inventories	9,179				9,179
143.1	Allowance for obsolete inventories	(459)				(459)
144	Interprogram - due from	-	-	-		-
146	Amounts to be provided					-
150	TOTAL CURRENT ASSETS	804,265	39,947	47,720	90,355	982,287
	<b>NONCURRENT ASSETS:</b>					
	Fixed assets:					
161	Land	218,000				218,000
162	Buildings	6,554,020				6,554,020
163	Furniture, equipment & machinery - dwellings	254,056				254,056
164	Furniture, equipment & machinery - administration	49,668	-	26,866		76,534
165	Leasehold improvements	5,591,201		356,568	-	5,947,769
166	Accumulated depreciation	(8,863,351)	-	-		(8,863,351)
160	Total fixed assets, net of accumulated depreciation	3,803,594	-	383,434	-	4,187,028
171	Notes and mortgages receivable - non-current					-
172	Notes and mortgages receivable-non-current-past due					-
174	Other assets					-
175	Undistributed debits					-
176	Investment in joint ventures					-
180	TOTAL NONCURRENT ASSETS	3,803,594	-	383,434	-	4,187,028
190	<b>TOTAL ASSETS</b>	4,607,859	39,947	431,154	90,355	5,169,315

	<b>LIABILITIES AND EQUITY</b>					
	<b>LIABILITIES:</b>					
	<b>CURRENT LIABILITIES</b>					
311	Bank overdraft					-
312	Accounts payable ≤ 90 days	52,364	4,993	47,720	-	105,077
313	Accounts payable > 90 days past due					-
321	Accrued wage/payroll taxes payable	133,840				133,840
322	Accrued compensated absences	-				-
324	Accrued contingency liability					-
325	Accrued interest payable					-
331	Accounts payable - HUD PHA programs		27,504		16,733	44,237
332	Accounts Payable - PHA Projects					
333	Accounts payable - other government	-	-	-		-
341	Tenant security deposits	60,342				60,342
342	Deferred revenues	6,415				6,415
343	Current portion of Long-Term debt - capital projects					-
344	Current portion of Long-Term debt - operating borrowings					-
345	Other current liabilities	-				-
346	Accrued liabilities - other	-	-			-
347	Inter-program - due to	-	-	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>252,961</b>	<b>32,497</b>	<b>47,720</b>	<b>16,733</b>	<b>349,911</b>
	<b>NONCURRENT LIABILITIES</b>					
351	Long-term debt, net of current- capital projects					-
352	Long-term debt, net of current- operating borrowings					-
353	Noncurrent liabilities- other	-				-
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
300	<b>TOTAL LIABILITIES</b>	<b>252,961</b>	<b>32,497</b>	<b>47,720</b>	<b>16,733</b>	<b>349,911</b>
	<b>EQUITY:</b>					
501	Investment in general fixed assets					-
	Contributed Capital:					
502	Project notes (HUD)					-
503	Long-term debt - HUD guaranteed	-				-
504	Net HUD PHA contributions	-			-	-
505	Other HUD contributions					-
508.01	Net Assets invested in Capital Assets	3,803,594		383,434		4,187,028
508	Total contributed capital	3,803,594	-	383,434	-	4,187,028
	Reserved fund balance:					-
509	Reserved for operating activities					-
510	Reserved for capital activities					-
511	Total reserved fund balance	-	-	-	-	-
512	Undesignated fund balance/retained earnings	551,304	7,450	-	73,622	632,376
513	<b>TOTAL EQUITY</b>	<b>4,354,898</b>	<b>7,450</b>	<b>383,434</b>	<b>73,622</b>	<b>4,819,404</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,607,859</b>	<b>39,947</b>	<b>431,154</b>	<b>90,355</b>	<b>5,169,315</b>

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## Dearborn Housing Commission

30-Sep-05

MI003

Combining Income Statement		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.855	Capital Projects Funds 14.872	N/C Section 8 Program	TOTAL
Line Item #				-		
	<b>REVENUE:</b>	-	-			
703	Net tenant rental revenue	745,098				745,098
704	Tenant revenue - other	51,054				51,054
705	Total tenant revenue	796,152	-	-	-	796,152
706	HUD PHA grants	445,370	633,424	355,270	1,506,202	2,940,266
708	Other government grants					-
711	Investment income - unrestricted	21,890	443	-	2,084	24,417
712	Mortgage interest income					-
714	Fraud recovery		3,784			3,784
715	Other revenue	-	815	-		815
716	Gain or loss on the sale of fixed assets					-
720	Investment income - restricted					-
700	<b>TOTAL REVENUE</b>	1,263,412	638,466	355,270	1,508,286	3,765,434
	<b>EXPENSES:</b>					
	Administrative					
911	Administrative salaries	137,632	4,993			142,625
912	Auditing fees	2,275	350		875	3,500
913	Outside management fees				53,648	53,648
914	Compensated absences	-				-
915	Employee benefit contributions- administrative	72,789	-			72,789
916	Other operating- administrative	74,576	51,922	-	-	126,498
	Tenant services					
921	Tenant services - salaries	13,143				13,143
922	Relocation costs	-				-
923	Employee benefit contributions- tenant services	1,920				1,920
924	Tenant services - other	36,536				36,536
	Utilities					
931	Water	30,660				30,660
932	Electricity	136,499				136,499
933	Gas	187,109				187,109
934	Fuel					-
935	Labor					-
937	Employee benefit contributions- utilities					-
938	Other utilities expense	60,536				60,536
	Ordinary maintenance & operation					
941	Ordinary maintenance and operations - labor	274,220				274,220
942	Ordinary maintenance and operations - materials & other	36,439		-		36,439
943	Ordinary maintenance and operations - contract costs	174,928		305		175,233
945	Employee benefit contributions- ordinary maintenance	163,632				163,632
	Protective services					
951	Protective services - labor					-



DEARBORN HOUSING COMMISSION  
Schedule of Annual Federal Awards  
For the Year Ended September 30, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
* C-3042 Operating Subsidies	\$ <u>445,370</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3042E Village Park, Sec 8 Administrative	\$ 1,506,202
Section 8 Housing Choice Vouchers	<u>633,424</u>
	\$ <u>2,139,626</u>
* <u>CFDA 14.872 Capital Projects Funds</u>	
C-3042 Capital Funds Grant	\$ <u>355,270</u>
	\$ <u>2,940,266</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 56,905,417
General Liability	1,000,000
Dishonesty Bond	50,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

DEARBORN HOUSING COMMISSION  
Status of Prior Audit Findings  
September 30, 2005

The prior audit of the Dearborn Housing Commission for the period ended September 30, 2004, did not contain any audit findings.

DEARBORN HOUSING COMMISSION  
Report on Compliance Applicable with Requirements to  
Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133  
September 30, 2005

Compliance

I have audited the compliance of Dearborn Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. Dearborn Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Dearborn Housing Commission's management. My responsibility is to express an opinion on Dearborn Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dearborn Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Dearborn Housing Commission's compliance with those requirements.

In my opinion, Dearborn Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of Dearborn Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Dearborn Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

June 6, 2006

DEARBORN HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
September 30, 2005

I have audited the financial statements of Dearborn Housing Commission, Dearborn, Michigan, as of and for the year ended September 30, 2005, and have issued my report thereon dated June 6, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Dearborn Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dearborn Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Dearborn Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

June 6, 2006

DEARBORN HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
September 30, 2005

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing	X	
New Construction Section 8 Program	X	
Housing Choice Vouchers	X	
Capital Fund Project	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Reportable condition(s) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
Reportable condition(s) noted	_____ Yes	_____ X _____ No
Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No